Dick, George Handasyde

International bullion money

London

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INTERNATIONAL

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BY

GEO. HANDASYDE DICK,

GLASGOW.

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PREFATORY NOTE.

The object of this paper is to suggest a scheme for International Money on a practicable basis, without disturbance to existing national currencies. The scheme suggested, preserves to all nations their sovereign right to regulate their own currencies and coinages, subject only to a voluntary agreement among themselves.

The plan of the paper is (chaps. i.-iv.) to state facts and arguments as to the science of money upon which the proposal is founded. Chapter v. formulates the proposal, and gives reasons in its support. The succeeding chapters relate to the question of a ratio between gold and silver, and to other relevant matters.

Hearty acknowledgment is made of the writings of very many authorities, ancient and modern, whose thoughts have been availed of in compiling this paper. Sincere thanks are also recorded to the eminent men who have revised the proof-sheets.

"That ſpecie which paſſes as the ſtandard, ought to be regarded as the blood and vitals of the body politick. All trade (unleſs carried on by barter) muſt begin with it, and terminate in it. It is the firſt thing demanded, and the hopes of getting it, the chief thing aimed at, becauſe it will purchaſe other things. Our ſilver coins are our ſtandard by law, and approved by the practice of moſt nations, to be a metal beſt qualified for that ſervice. If any falſe or adulterated coin be permitted to do that ſervice, or any ſpecie whatſoever above its intrinſick value, it will make trade a cheat in all its ſteps, from the firſt buyer to the laſt vendor, and in the end occaſion more complaints and confuſion than a general permiſſion of falſe weights and meaſures; it will have the ſame effect as a corruption of blood upon a body natural, fill us with many diſtempers, and reduce us to a hectick condition, which can only be prevented by preſerving our ſilver coins, that we may have a true meaſure to compute, and a valuable ſtandard to make ſatisfaction. Notes and bills may ſerve as a cordial in caſes of neceſſity, but as they have not any intrinſick value, they ought to be reckoned a lean ſort of food, for a conſtant diet, and not fit to ſupport the bodie politick longer than we have ſilver or gold coins to anſwer for them. The advantages expected by Trade, do ſo much depend upon the uſe of a ſtandard, that it will be impoſſible to purge it, of the corruptions that are crept into the management of it, grown up with time, ſupported by great bodies, and riveted by particular intereſts; until it can be conſidered and agreed, why ſilver is beſt qualified for that ſervice, why gold is moſt proper to be uſeful as an aid to it."—*A Discourse of Trade and Coyn, 1697.*

"Valuation of moneys is the ſpirit which giuith life vnto coynes, for without it, weight and fineneſſe are in the nature of bullion or materialls. This valuation is twofold: the firſt is done by publicke authoritie of princes and ſtates, whereby the peeces of coynes are eſteemed at a price certaine, both for gold and ſilver, to go currant for that value within their kingdomes and dominions: the ſecond is the valuation of merchants by way of exchange betweene vs and other nations. . . . The firſt propertie of money is, That plentie of money maketh generally all things deere, and ſcarcitie of money maketh generally things good cheape; whereas, particularly commodities are alſo deere or good cheape, according to plentie or ſcarcitie of the commodities themſelues and the vſe of them. Money, then (as the bloud in the bodie), containeth the ſoule which infuſeth life; for if money be wanting, trafficke doth decreaſe, although commodities be aboundant and good cheape; and on the contrarie, if moneys be plentifull commerce increaſeth, although commodities be ſcarce, and the price thereof is thereby more advanced. Nay by money a trade is made for the imployment of it both at home and abroad: for thoſe countries (where things are good cheape) are deſtitute of trade and want moneys; and although things for the bellie are good cheape, there is leſſe benefit to be made by merchants. According to plentie or ſcarcitie of money then, generally commodities become deere or good cheape, and ſo it came to paſſe of late yeares, that eurie thing is inhaunced in price by the aboundance of bullion and moneys (which came from the Weſt-Indies into Europe) which, like vnto an ocean, hath divided her courſe into ſeuerell branches through all countries."—*Lex Mercatoria, 1622.*

"There is in all great commercial countries a good deal of bullion ultimately imported and exported for purposes of foreign trade. This bullion, as it circulates among different commercial countries in the same manner as the national coin circulates freely in every particular country, may be considered as money of the great mercantile republic. The national coin receives its movement and direction from the commodities circulated within the precincts of each particular country; the money of the mercantile republic from those circulated between different countries. Both are employed in facilitating exchanges—the one between different individuals of the same, the other between those of different nations."—*Adam Smith.*

"If gold in England, or silver in East India could be brought as to bear the same proportion to one another in both places there would be here no greater demand for silver than for gold to be exported to India. If gold were only to have the same proportion to the silver money in England which it hath to silver in the rest of Europe, there would be no temptation to export silver rather than gold to any part of Europe."—*Sir Isaac Newton, Master of the Mint.*

"Real money can hardly ever multiply too much in any country, because it will always, as it increases, be the certain sign of the increase of trade of which it is the measure, and consequently of the soundness and vigour of the whole body."—*Burke,*

INDEX.

INTERNATIONAL BULLION MONEY.

The establishment of International Money for the world is an object of high importance to the well-being of humanity. Especially is it so to the great British Empire with its many dependencies, enormous trade, and foreign loans and investments. International money has had the consideration of great thinkers, ancient and modern. It was the object of all the Monetary International Conferences that have met. It is an object upon the advantage of which informed men are agreed, however they may differ as to its possibility, and as to plans that have been suggested for its accomplishment.

Circumstances of recent years have led to a renaissance of information and opinion regarding the science of money. Difficulties in the way of its more extended consideration are doubtless the very custom and nearness of men's thoughts to superficial experiences, acquired from daily use of money; the general permanency of our monetary system under limited bimetallism between 1816 and 1872; and unwillingness to take up a subject which, while comparatively simple in its fundamentals, in its practice extends to every exchange transaction of civilized man.

To those who have studied the currency question, difficulties to its solution appear mainly to rest upon three points, viz.:—

I.—Want of apprehension of the function of law in the science of money.

II.—Failure to discriminate between existing national and possible international money—their different base of values and fields of usefulness.

III.—Fears as to national disadvantage resulting from the adoption of international money, through its

affecting existing national currencies and standards of value.

The following paper deals with the foregoing points; and suggests a mode of setting up international money obviating objections which, wisely or unwisely, are in some quarters entertained to the bimetallist solution, viz.:—"opening the mints of the world to the unrestricted coinage of gold and silver at a fixed ratio to one another."

CHAPTER I.

As to Money Generally and the Office of Law in the Science of Money.

The object and purpose of money is to be a stable standard and measure of value, a common denominator to exchange commodities, and to be a store and transmitter of wealth by legal token of wealth, and not by the actual wealth itself.

Nomos law—*nomisma* money. It is law creates money. Without law there is no money. There are many things exchangeable by barter against one another, but money requires to have the power of legal tender in payment which only law can confer. Without this it is not money.

Instruments of credit such as non-legal tender notes of banks of issue, bills of exchange, and promissory notes, are of vast service for economising the use of money. They depend for their value upon the credit of the makers, and have no legal tender under law. Therefore they are not money.

Money is the foundation of the world's standard of value and with the credits superadded thereon, is the world's standard of value. The world's standard of value is neither gold, silver, paper money, bills, or notes individually. It is a combination of all these.

The price of money for each state, and of what its money

is to consist—*i.e.*, its standard for money—is fixed by the laws of each nation, and can only be changed by these laws. Thus, in this country, gold is the standard for money, and £3 17s. 10½d. is the price fixed by law for an ounce of gold coin. In India, silver is the standard for money, and the price fixed by law for a tolah of silver is one rupee.

The value of money is measured by its exchangeable value for commodities—which term includes labour, &c. The values of commodities are measured by their price in money. Either of the two is the measure of the other.

Britain's money at present comprises about seventy millions of gold, thirty millions of silver coin, and legal tender Bank of England notes for about sixteen millions against which there is no bullion reserve. That is seventy millions of automatic money and forty-six millions of fiat money. Fiat money has its price in law. Automatic money has its price in law, and also value in the market price of the precious metal it contains. Britain's money is the basis on which thousands of millions of values and credits rest. The total of it is less than the rates and taxes paid by the country each year. Its inadequacy in time of trouble was demonstrated by Mr. Goschen at Leeds and at London.

Exchange between money and commodities is regulated by supply and demand. Decrease of the quantity of money relative to commodities lowers prices of commodities. Increase of the quantity of money relative to commodities enhances them. Every one recognises that abundance or scarcity of commodities relative to money affects their price. Few recognise the correlative truth, that scarcity or abundance of money relative to commodities, affects its exchangeable value. Failure to recognise this axiom is a fruitful cause of misunderstanding.

However great the quantity of gold produced, its price under the law can never change. Its exchangeable value alters daily. Again, the last sovereign has identical privi-

leges and powers with the first sovereign, though perhaps it was minted from gold mined a thousand years ago, and although the cost of production of the one may have been £5 and of the other 10s. The market cannot be over supplied by the old sovereigns barring place to new ones. When in 1853, gold production had reached £31,000,000 against £5,000,000 in 1849, its price did not alter. Neither did it alter when in 1884 the production fell to £18,000,000, or in the past year when the production reached £32,000,000.

With open mints, the market price of bullion from which money is made cannot fall below the mint price of that bullion, as no one will sell it for a lower rate when they can get a higher price at the mint. Neither can the market price of bullion, so long as there is coin available, advance beyond the mint price, because it would be cheaper to melt coin than to buy uncoined bullion.

Money is desired not because it is gold or silver or paper, but because with it debts can be legally paid, and that, in it, is a store of legal value. This desire for money does not arise from inherent usefulness of the substances from which money is made, or from the cost of manufacturing money, but from the attribute of "forced" or legal payment conferred upon money by law.

Had gold not legal currency in Britain it would at once cease to be money here and become merchandise. Then it would not measure price or express price. But if we had another money, as paper, gold would be measured by that paper money, and payment for it would be made in that paper money. Under that law paper money would take the place of gold money. If we had no monetary law, gold would become a commodity along with all other commodities, and we would have no money. Then there could be no buying and no selling, the only mode of exchange would be barter. Price and payment would cease with the lapse of that which, while the

measure of price, has no price except what is called the mint price, by which is denominated its power as forced or legal payment.

Every gold state confers by its law, upon the whole body of gold metal everywhere, the right to acquire the power of legal tender. It is conferred by Britain upon the gold of Russia, or France, or the mines, just as fully as upon the gold of this country; because in virtue of the law, such gold can be brought to this country and mintage of it cannot be refused. Gold states do not confer the power of forced currency upon the gold coin of foreign states. By enacting forced currency for gold at so much per ounce, and by giving free mintage to gold, the State gives its price to gold so far as its laws extend. The State does not give exchange value to gold. Failure to apprehend the distinction between the State Price of gold, and the Exchangeable Value of gold for commodities, is a fruitful cause of unnecessary discussion.

Forced currency only applies within the frontiers of the nation, or nations, conferring that attribute upon a commodity or commodities. Thus, silver is money in India, while gold is money in this country. That fact is due to the divergence of the currency laws of two different portions of the one empire. The divergence is not primarily due to preference of individuals or convenience. The law of 1816 changed Britain's money from what was nominally the silver pound, but was actually paper, to the gold sovereign. The law of 1835 changed India's bimetallism to silver monometallism.

Except the British Empire, there is no nation which has within itself two moneys distinct from one another and without par of exchange. The money of the British Empire is mainly founded on two monometallisms—silver monometallism for India, &c.; gold monometallism for Britain, &c. Therefore the British Empire is largely bi-monometal-

lic. Neither of these currencies can now be readily added to, because, under new demands set up for it by European nations, gold production is not sufficient, and silver is denied mintage.

The precious metals were adopted and legalised as money, not alone for their preciousness, as appears so commonly held but because of their suitability generally. Money being valuable in proportion to quantity and not necessarily for its quality; and because there might be temptation to Governments to overissue money if capable of indefinite production, it was felt desirable to adopt substances for money-uses, the production of which was limited by nature, and which were therefore beyond the fiat of man or Governments as regards quantity produced.

The producer of commodities cannot always market his commodities, and when he does so he must higgle for his price and receive his money payment before he knows how he stands. In the case of gold in gold countries no market of sale is needed. Under British law, gold is at once entitled to be minted, and have the right conferred upon it of forced circulation. Or it may be taken into the Bank of England Stock, and legal tender notes given in exchange for it. In the latter mode it may never be converted into sovereigns, though, under the law, it will be money by forming the base of Bank of England notes.

Bank of England notes are in Britain as good money as sovereigns, the bulk of them being in fact exchangeable for gold which is earmarked and held against them in the vaults of the Issue Department. The bulk of the Issue Reserve and the Bank Reserve is in bars. There is usually no considerable demand for gold, except for export, for which bars are preferred. Gold is mainly coined in response to enquiry, for inland use. Although Bank of England notes could be more conveniently transmitted abroad than gold, and would not suffer from abrasion in transmit as gold

does, they are not exported in liquidation of international balances. It is gold in one form or another that is sent to gold countries—silver to silver countries. The reason is plain. Bank of England notes have no legal tender force abroad. Neither have sovereigns it is true. But sovereigns are composed of the metal from which the coin of gold states is made; and as mintage cannot be denied to gold under the laws of these states, the gold sovereigns of Britain have, because of the metal from which they are made, the potentiality of legal tender in all gold states. In the same way when the Bank of England has borrowed from France it has borrowed in gold, not that the gold coin or bullion so borrowed, was necessarily of legal tender in Britain, but that by our coinage law it could always be readily converted into legal tender money in Britain. Were Bank of England notes not exchangeable for gold on demand, it seems certain they would not always command, even in this country, the same face value as gold. The reason is that, while for national payments they are full legal tender, they are not legal tender where British law does not extend. Therefore for foreign payments Bank of England notes have no legal force, and something else that has, or can acquire, that force is used. The coins of the foreign creditor nation are most suitable, but are not generally available. Then that metal is sent which, by the coinage laws of these nations, can be converted into legal tender there on demand. Bank of England notes being legal tender in Britain and being converted into gold on demand at the Bank of England, no agio arises upon them in England in favour of sovereigns.

In the recent currency panic in America gold coin, silver coin, gold notes, silver certificates, green backs, all maintained their legal price. Neither commanded an agio over the other in the United States. The crisis was a national

one, and did not arise from foreign monetary demands. For national purposes, the law conferred an equal price and forced currency upon all these various moneys, and so all had equal value wherever that law extended. Had the exceptional demand for money been from abroad, from gold countries, then gold metal money probably would have commanded a premium for exportation. Not that American coins would have the attribute of legal tender outside of the sphere of American law, but that the gold from which American eagles are made is the material from which the coins of foreign gold countries are also made.

Again, in France there is but one money, although it is composed of different things, viz., gold coin, silver coin, and paper notes, all having, so far as French law extends, equal debt-paying power according to their face price. The total comprises one money, because all the different forms of currency are maintained at a fixed parity by law.

During the cotton famine silver was in great demand for remittance to the East, and French silver commanded an agio over gold. At other times gold has been wanted for remittance to gold countries, and French gold therefore has commanded an agio over silver. But, so far as French law extends, there has been no agio for French national payments, because all French money is of equal paying power in France.

For national payments there is no sale of one national money for another, as such transaction could give no profit. It is only for foreign payments an agio arises on one national money in favour of another. Which of the legal moneys he will pay with is in the choice of the payer. It is when the receiver wants say gold money for remittance to gold countries, and the payer prefers to pay in silver or paper money, that the receiver is called upon to pay an agio to secure the special money he requires for exportation.

The reason for the agio is plain, and is international, not national.

Since the closing of the Indian mints, India's money has become token money, and no longer represents the market value of the metal from which it is made. Yet its usefulness in India is not impaired. Indian law has conferred upon it forced currency, and it remains good money there. It pays for all commodities in India, including gold, just as the intrinsically valueless and irredeemable paper roubles of Russia have done in Russia for many years. For internal purposes the rupee of India remains as good money now as it was when the silver in it was of the market price of 2s. Now, it is but 11d. For international payments, however, the rupee is not money, but simply the commodity bullion silver, varying in price with the market price of that commodity.

It is national law which, by giving legal currency to the national inconvertible and unredeemable paper money of the world, makes that paper, which is valueless in itself, good money in its paying power wherever that law extends. The forced currency attribute—legal tender—is effectively bestowed by national law upon national money, regardless of that money being made from gold, at present of great value in the market, from silver, of less value in the market, or from paper, valueless in the market. The paper dollar of Argentina and South America, the paper milreis of Brazil, the paper rouble of Russia, the paper florin of Austria and Hungary, the paper lira of Italy, the paper drachma of Greece, as well as the scarcity rupee of India, the silver five franc piece of France, the silver thaler of Germany, and the token coinages of all countries furnish overwhelming evidence. It is a fashion of words to say the silver token coinage of Britain is no proof of the power

of law to impart price to coinage because it is not legal tender for over £2. Amount does not alter principles. The silver coin of Britain amounts to over one-third of the whole, and probably a hundred transactions are carried out in it for one transaction in gold. Its parity does not depend upon limited legal tender. It depends upon law.

The foregoing proofs of the power of national law to create money even out of a valueless article such as paper, and to give such valueless paper all the debt-paying power of gold or silver wherever that law extends, makes it plain that, were international monetary law enacted over the whole world, the money thus legalised, whether gold, or silver, or paper, would become of universal debt-paying power and use. It must be so. How could payment of a debt be otherwise enforced when the debtor tendered payment in legal money? Even if a bargain were made in a civilised country, say to barter one commodity for another, and one party to the bargain failed to make good his part of the contract, the other party would purchase the commodity in the market if he could get it, and sue for the legal-money loss, if there was any. If the commodity could not be purchased the loss would be assessable and payable in legal money, and not in the commodity contracted for.

From the foregoing it will be seen that the price of national money has its foundation in the national laws of the respective nations.

Many further proofs could be adduced of the all-important function of Law in Money, but enough has been said to establish the doctrine.

The foregoing arguments as to the power of national law to give price to national paper money, must not be read as

advocating international paper currency. To that there are grave objections at the present time.

Before leaving the subject of national money and in view of the many divergent national monetary laws, it becomes of importance to notice that, prior to 1873, the various national monetary laws of the civilised world very well subserved the national objects contemplated by those laws.

But these laws had another and perhaps little less important use—the international one. The importance of this use was not then recognised by law makers.

CHAPTER II.

Distinction between National Money and International Bullion Settlement.

All civilised nations now have national monetary laws; but, except the Latin Union, there is no international monetary law or agreement whatever.

Prior to 1873, national laws, with some important exceptions, recognised both gold and silver as national money at a fixed ratio, and, where this recognition was not common, the bimetallism of the Latin Union made it effective. Therefore, these common national laws had an indirect force of the nature of an international law or agreement, so far as they provided an international means of liquidating debt by the interchange of gold or silver bullion at a fixed ratio.

But national money, when thus serving international purposes, did not derive its force from coinage or from law. Its force was not a direct money force. It derived its efficacy by the gold and silver metal from which national automatic metal money was made in all countries, being the same metals, and of practically a fixed ratio, or capable of being made the same ratio, through the French mint. This is no longer so. Specially let it be noted that the French mint is now

closed to silver, and there is now no common or fixed international means of bullion settlement, and no par of exchange, between the East and the West. There is only barter, and the material from which the money of the East is made is silver, while the material from which the money of the West is made is gold.

Therefore, neither by the attribute of forced currency, conferred where law exists, nor by the attribute of a common material from which their money is made, is there any fixity of price between the moneys of the east and of the west. It follows that, under present laws, no common money for the world exists or is possible.

Silver is now doing, nationally, excellent money work in silver countries, and excellent international work between silver countries. In these countries, until the closing of the Indian mints and the suspension of silver purchases by America, the increase of population and commerce usefully absorbed all the silver produced, in addition to what was expelled from the currencies of Europe, without materially affecting silver prices. Had there been that plethora of silver which the increased production of recent years has led many to fear, silver prices would have risen. That the increased production which has taken place is but a useful addition to the accumulated stock of the precious metals, is proved by the fact of silver prices remaining stable in recent years. Therefore, silver has in these years been a better, because more stable, standard of value than gold.

Gold is doing money work in gold countries; but, even under a system of credit of dangerous magnitude, illustrated by the Baring Crisis, is only able to do it by a vast disturbance of gold prices and of gold indebtedness. It is an inequitable, because appreciating, standard. It is deficient in stability, the first requisite of a standard.

The enormous evil, or probable end of this inequitable

gold standard and absence of par of exchange *(par pro pari)* between the East and the West no one can do more than guess at. However, all are agreed it is of a kind injurious to the well-being of the world. It is enriching gold creditors, impoverishing gold debtors, imperilling the solvency of powerful silver nations, as well as the wages of the labourers and the existence of the agriculture and industry of gold states. It has increased the real burden of taxation in this country fifty per cent. The interworkings of an appreciating monetary standard extend to every transaction based on money.

Recent national monetary laws have, in an uncontemplated and indirect way, left silver countries an international means of settlement of their balances by silver bullion (not money), but have cut off India's "scarcity rupee" from relation with every other money in the world, except as bullion by weight and fineness. It is really a very striking result of the Indian Currency Act that it has destroyed India's par with silver countries, while it has failed to give her a par with gold countries. Gold countries have an international means of settlement for their trade balances with gold countries, through the common use of the same bullion for the manufacture of their automatic metal money. But these recent laws, having destroyed former established means of bullion settlement between gold countries and silver countries, have brought back the trade and indebtedness between gold countries and silver countries to qualified barter.

Here let what has been more fully referred to be summed up in this—viz., that national money is regulated by the national law of each individual nation, and derives its power of payment from law and not necessarily from the material of which it is made. Further, that the world has no international money and has no international monetary law at

al. There is no international law or agreement conferring upon anything the monetary power of forced currency wherever that law or agreement extends. Therefore we have no international money.

While the foregoing is so we have, as we have seen, that by the fortuity of national law, gold is a substance from which money is made in gold countries and silver is a substance from which money is made in silver countries. From this peradventure arises the international position of gold countries with gold countries, and silver countries with silver countries. This is not international law and of purpose. It is only the unregulated accident of chance.

In the past twenty years silver has been increasingly debarred by law from monetary use and price in Europe and America. During the same period population and production have been increasing in these continents. From these causes acting conjointly, has the great fall in gold prices—otherwise called the appreciation of gold—mainly taken place.

Concurrently with the fall in gold prices in gold countries, an advance in silver prices might have been looked for in silver countries. That this advance has not taken place is explained by the fact, that the increase of silver money in silver countries, has only been sufficient to exchange the increased products of silver countries, between the increased populations enjoying the prosperity arising from a stable and sufficient currency.

Here an objector might say, if bimetallism had existed a fall in prices would still have been experienced, as silver could not have come to the assistance of Europe without causing a fall of prices in Asia. To this it may be answered that with bimetallism at a reasonable ratio, it is possible there might have been an increased production of silver

adequate to maintain prices both in the East and in the West. At any rate, whether that be so or not, bimetallism would have made existing silver reserves in the West more effective.

Recent treatises upon money fail to recognise the difference between the basis of national money and the basis of international bullion settlement. Yet one can hardly refer to any treatise on money published in the seventeenth or eighteenth centuries without the distinction being prominently pointed out. To national coins the term "valuation by princes or states" was applied. To settlements with foreign countries by the precious metals the term "valuation by merchants" was applied. The reason of this is evident. National coin had its price fixed by the fiat of the rulers. But there was no fiat creating money and fixing its price for all countries. Therefore there was not then, as there is not now, international money or international monetary law. Therefore, while the precious metals were money nationally, internationally the same metals had no price fixed by law. Therefore they were but commodities, and their values were ruled by their exchange as commodities between merchants.

CHAPTER III.

The Basis of International Money.

Fortunately, as a foundation for the consideration of international money, we have a common ground upon which all are agreed—viz., that automatic precious metal money is alone suited for international money. Prevailing reasons for this have frequently been given, have never been seriously disputed in modern times, and therefore do not call for repetition here.

It is evident that, automatic metal money can only maintain its automatic quality by the market price of

the bullion from which it is minted, being always in close and certain relation to the coin itself. Otherwise expressed, automatic money must be the actual bullion in itself, having its value not from any coinage mark or mint impress, but from the actual market value of the bullion itself. This market value, again, is set up and maintained when the law declares such bullion to be the material from which alone metal money, having a certain fixed price and legal power of payment, can be made, and to which mintage cannot be denied. It is thus that an international law which enacted that an ounce of silver shall be coinable into 5s. legal tender money, and an ounce of gold shall be coinable into £3 17s. 10½d. legal tender money, makes both gold and silver equally legal tender money the one as the other. Thus these two commodities, under such law, make one money of equal goodness and use. It is from the failure to apprehend that money is by law made, as we have seen, from several things, that a great deal of confusion arises. Doubtless the same persons who maintain that money can only be made of one thing, would at once admit that good wine can be made from both white and red grapes, and good bread from many grains.

The base of international metallic money is not the coins of any country.

In the past, the coinage of countries has played a large but confusing and misleading part, in considering the international monetary question. It is submitted coinage is a national and not an international question. Coinage is convenient and necessary for small payments and every day national transactions, and it carries the attribute of legal tender.

Coinage is not necessary or useful for the large bullion operations in which balances between countries are finally settled now. The Bank of England gold Reserves are always stated as so many pounds, and it is sometimes erroneously believed these balances consist of sovereigns. That is not so. A portion is sovereigns, but a portion is bullion and gold coin of other nations taken to account. The Bank of England is looked to for the means of liquidating foreign gold debt as well as national debt. National debt is commonly liquidated in coin or legal tender notes. But the large sums of gold money brought to Scotland from the Bank of England twice a year are exchanged by weight and not only by tale. Foreign gold debt is liquidated in bullion. We cannot coin the coins of foreign States to pay them in their own coin. Therefore we pay by the material from which their coin is made.

Formerly the silver reserves of the Bank of England enabled it to furnish silver bullion for our payments to silver countries. Since 1873 the gold price of silver has been so unstable the Bank has ceased to hold it as a reserve—naturally so, because under our recent law (1870) silver is denied mintage, and silver bullion, therefore, has not now the legal potentiality of British money. Those who ship silver have now to buy it in the open market like any other commodity.

The true, the fundamental basis of international metallic money, is the precious metals by weight and fineness. Gold bullion in the West, silver bullion in the East, by weight and fineness, are the existing basis for settling international balances. But between the gold of the West and the silver of the East there is no par of exchange; there is no established means of settlement either by bullion or coin; there is only qualified barter—a recurrence to pre-commercial methods in a highly organised commercial age.

From what has been said it is evident that, under present circumstances, international money, which is to have the

power of forced payment everywhere, can only be established by international law or agreement. There are many international laws and agreements as to other matters already existing, to the advantage of the world, because conceived in the interests of the common good. There is no international monetary law.

Such an agreement with reference to international money should, obviously, primarily regard the object to be attained and existing circumstances. The first question therefore is, what would be best for the general advantage, and be least disturbing to national currency laws already set up with the approval of the various nations?

In view of existing facts—that silver coined and uncoined is already national money in the East, while silver bullion is used for settling international balances there; that gold coin is now national money in the West (with silver token coinage rated to it), and that gold bullion is used for international payments in the West, the answer is simple and incontrovertible. International money must consist of gold and silver bullion by weight and fineness. The common sense of mankind made the precious metals interchangeable at a recognised ratio from the earliest historical period up till 1873. (See Max Muller.)

Since 1873 new monetary laws for national objects and purposes have been set up. This has been done, in manifest disregard of results certain to accrue from these alterations of national laws, upon the international means of settlement existing up to 1873. These results were emphasised by Ernest Seyd and others, but their wisdom failed to influence events. These laws have been fraught with general disaster. At that time authorities held that a serious divergence in the then existing value of gold and silver was practically out of the question

(see Professor Cairns, 1872), and no informed person has ever advocated as Possible the disuse wholly of silver as money.

In existing circumstances it would be monstrous to say gold shall not be international money. Nations possessing gold would not consent to enact such law. The same is equally true of silver. It would be as manifest injustice to relegate the gold money of the West to the position of a commodity, bereft of international monetary use and legal price, as it would be thus to deal with the silver money of the East. In either event the greatest use and demand for the metal (its money use and demand), be it white metal or yellow, would be destroyed. By this destruction of use and consequent demand, the value of what exists would be largely reduced, to the loss of the holders, while the inducement to produce more would be enormously qualified. Thereby also the world would be left with a more inadequate quantity of money than it now has, leading to increased instability in the direction of a further immeasurable fall in prices of commodities. The fall would be in gold prices if silver was demonetised, in silver prices if gold was demonetised.

CHAPTER IV.

Of what International Money must Consist.

If the arguments and statements maintained in the foregoing chapters are correct, it follows:—

A.—International money must consist of both gold and silver.

B.—It can only be set up by international law or agreement.

C.—It must be automatic money, but it is not necessary it should exchange in the form of

international or national coins, its basis of payment being gold and silver by weight and fineness.

D.—International money should be set up on the true automatic foundation, by attaching the international value to the material from which such money must be made, and not to the coins of any state or states.

A main difficulty in the way of recent international monetary conferences arriving at any final conclusion has been, the national fear, that plans proposed might affect the varying national moneys of the countries assembled. This is a most important aspect of the question and presents difficulty.

Further, no nation can be expected to recognise any right of any other nation to regulate or interfere with its national currency without consent; although, as matter of fact, the isolated monetary action of each has important disturbing effects upon the others. Thus, England has not changed her monetary standard in recent years, but other nations having recently adopted gold and discarded silver, all gold prices and gold indebtedness in England have been seriously disturbed, because of the increased demand set up for gold by this action of other nations.

Money and coinage have always been recognised as a sovereign prerogative, jealously guarded up to the present time by even unimportant and tributary states. This sovereign prerogative of coinage is another difficulty to a common international money.

The foregoing and other difficulties, nationally arising, must be met with the least possible disturbance of existing national monetary laws, and international precious metal practices. To meet them, and at the same time provide the international money of which the world stands in need, an international agreement to the following effect is suggested.

CHAPTER V.

Proposed International Agreement for Establishing International Money; and Reasons in its Support.

EITHER GOLD OR SILVER OF STIPULATED FINENESS SHALL BE RECEIVED BY WEIGHT, AS MONEY, AT A FIXED RATIO TO BE AGREED UPON BETWEEN THE NATIONS CONCURRING.

It will be observed this agreement would not interfere with existing national money. National metallic money would remain Coin, while Bullion is the suggested international money. It would not bind any nation nationally to pay in either gold, silver, or notes specifically, but would leave each nation nationally free to pay in its national money, whatever that happened to be. Further, having regard to the international agreement, each nation would be free to enact whatever monetary national laws it chose. The agreement would thus avoid direct interference with national monetary laws and coinages, existing or prospective.

By it the ratio to be agreed on would only apply to gold and silver international money, and not to national money at all. Therefore the international ratio would only apply to a very small proportion of the world's money. It would be unimportant in comparison with any solution requiring the ratio to be universal for national as well as international money. Leaving national money as it is, the disturbance that would arise if a very high or a very low ratio were fixed for international money, would necessarily be much less important than if the ratio to be agreed upon included all the national metallic money existing. The non-disturbance of national money, the limitation of the ratio to international money to the exclusion of national money, and the simplification of the whole monetary

question thereby, are submitted as important features wherein the present suggestion differs from others.

Internationally, gold and silver bullion by weight and fineness, are now the means of settling final international balances. But a crucial objection to the existing state of things is that the international bullion of the East is divorced and separate from the international bullion of the West—that they are two commodities, not one international money, and that there is no international law or agreement governing either of them, or giving either of them the power of international forced circulation. The suggested agreement would destroy this barbaric system, by breaking down the wall of partition that separates the international means of bullion settlement; and would enable both metals to flow into a common channel, for the world's common good as universal money. Thereby a fixed and stable par of exchange would be set up over the world.

From existing use and custom, the East prefers silver for money; England prefers gold; America and continental Europe appear to have no preference, as they are as familiar with the use of the one metal money as of the other, and are most familiar with paper. Under the plan suggested there is no reason to anticipate any change in existing preference; and there would be no reason for it, as the one metal money would be as valuable as the other at a fixed ratio all the world over.

It is admitted gold and silver bullion by weight and fineness, would be utterly inconvenient for carrying on the business of everyday life; but such bullion is what is used in all the vast international payments now. These transactions are carried on only by banks or bullion dealers, and at an unfixed ratio between the metals. The general public has nothing to do with such transactions; they are in the hands of a few specialists. Under the suggestion

submitted, such transactions would remain as at present, but at a fixed ratio; and the diverging national currencies of nations would not be disturbed thereby.

The silver coin of England, at present depreciated as automatic money by two-thirds of its value, or the silver coin of any other country would, by the proposal, continue to circulate nationally at full face price under national law, just as it does now. Therefore, if a less favourable ratio for silver than $15\frac{1}{2}$ to 1 were adopted no national loss need arise upon existing silver coin, because there would be no necessity for nations casting their existing coins into the melting pot. On the other hand, unless a ratio more favourable for silver than $15\frac{1}{2}$ to 1 was adopted—a thing which has never been suggested—it would not pay nations to part with their silver coins. National law would maintain the price and usefulness of national silver coinage just as effectively as it maintains it now. The large sum of existing silver thalers of Germany is an illustration in point. Germany decided to sell all these silver coins and banish them from her currency. She found, however, this action was involving serious loss. Therefore she ceased her efforts to sell, and decided to retain her thalers as full legal tender as before. She has done so, and nationally these thalers are as good money as gold. The five-franc pieces of France, the silver guilders of Holland, &c., all furnish, with variation in detail, illustrations of the same point.

The agreement would avoid any necessity for silver coin circulating side by side in the same nation at different ratios. With open mints this would occur wherever the international ratio for silver coin was different from the existing national one.

Under the proposal submitted the change would be that, by a new international law, a new international money would be set up; founded upon the existing means of international payment, and composed of the gold and silver bullion of the world, produced or to be produced. Such money would not have an uncertain stability, governed by any nation's varying laws, as at present. It would be founded, firstly, on an agreement and law of the world. It would be founded, in the second place, on the automatic price of the precious metals themselves. Therefore the proposed money would have dual support for its maintenance. First, in law (which now is all-powerful nationally in giving money price and power), being extended internationally in favour of gold and silver; and secondly, by the bullion, which would then become international money, having a fixed price and legal tender power everywhere. That is, it would have alike legal and material support.

Under the proposed law, and under any known conditions, any reasonable international legal price and ratio of gold and silver could never vary. Regardless of production, the precious metals would maintain their universal price under the law of the world; just as intrinsically valueless French bank notes, Russian paper roubles, and Austrian paper florins maintain their price, in their circumscribed limits, under their circumscribed laws; just as the law of Britain has maintained the price of gold at £3 17s. 10½d. per ounce, regardless of variations in production, and British silver coin has maintained its parity under law regardless of the production of silver and of its market price.

Under British law, with an open mint and regardless of the great irregularity of its production, gold has never varied in its price in Britain, and it can never vary unless British law is changed. The price of monetised metal, with an open mint, must always remain the same, be supplies great or small. Its exchangeable value for commodities changes. The law is supreme, and when it says £3 17s. 10½d. is the price of an ounce of gold, and that this sum can only be legally paid by an ounce of gold, manifestly an ounce of gold and £3 17s. 10½d. become identical for money purposes. The same would be true if the law said an ounce of silver is 5s. and the mints were open. Under such circumstances the price of gold and silver could never vary in terms of money. Gold cannot be measured by itself against itself, neither can silver. Neither can money be measured by itself against itself. Therefore universal money, whatever it is made from, can only be measured by commodities. So long as universally monetised by law, if at the above prices, an ounce of gold would always be £3 17s. 10½d., an ounce of silver always 5s., and to receiver or payer, so far as value is concerned, the one form of money would be quite as good as the other. Gold bullion can be measured by silver money and silver bullion can be measured by gold money, but when both silver and gold are alike money at prices fixed by law, which alone can create money and give it price, neither can then be measured by the other, because both are money, and manifestly money cannot measure itself.

Under the suggested international agreement, the jealousies of individual nations would not arise, as no country would nationally be prejudiced. All countries would enter upon the agreement on precisely the same footing, and all would benefit from one stable and reliable money and standard of value.

Under this plan no fear could be entertained of this or any other country being denuded of one metal in favour of another. If its notes were presented to the Bank of England, the Bank would have the choice of redeeming them at its option in gold coin without limit as at present;

in silver coin if the notes were £2 or under; or in gold or silver bullion. Thereby the Bank could prevent, as France and Germany can now do, any attempt unduly to withdraw either the one metal or the other. Under the proposed agreement it is certain that no such attempt would be made, because it could lead to no profit to anyone, the one metal with the other being equally good money everywhere.

The Gresham Law, which, under national coinages, causes the exportation of any coin underrated in one nation to another country where it is more highly rated, could not apply to the international bullion money proposed. Such money would have universal and identical prices in all nations. Therefore there would be no cheaper money to drive out a dearer money.

It is admitted that, under the plan, countries possessing gold or silver mines may be benefited in having a world-wide agreement to receive their gold or silver as universal money at a fixed price. But unless the precious metals are to be denied monetary use altogether, the countries possessing gold and silver mines will always benefit from their possession. In present circumstances of gold coming into increasing use and relative scarcity, no doubt gold appreciates in value. But with silver again in general monetary use, the monetary work of the world would fall more upon silver. This would tend to arrest the appreciation of gold which, otherwise stated, is the fall in the gold price of commodities. So long as the precious metals are money, either the silver mine owners or the gold mine owners, must benefit by their monetary use; and whether it is gold mine owners who are to derive excessive profits, or gold and silver mine owners jointly that are to reap moderate profits, is of little concern to the world at large

CHAPTER VI.

How International Gold and Silver Bullion Money can enter National Currencies without Mintage.

It has already been stated, that gold and silver bullion by weight and fineness, would be utterly inconvenient for carrying on the business of everyday life. Therefore the question arises—How could gold and silver bullion find their way into the national currency of countries? This is very essential if such bullion is to be the international money of the world. Were gold and silver bullion not money nationally, as well as internationally, it would be inconvenient; because a money which would pay international debt, but not national debt, might, in circumstances, oblige the holder to pay an agio to get it exchanged for the money he required, just as is sometimes done in France now in the case of foreign payments. The existing law, and the former practice, of the Bank of England are alike answer and illustration on this point.

At present, the Bank of England is by law entitled to receive silver bullion and issue its legal tender notes against the same, to the amount of one-fifth of its total bullion, precisely in the same way that it does against gold bullion. English, Scotch, and Irish banks of issue are in the same position, except that their notes are not legal tender, although by custom and permitted by law, they circulate freely on the credit of their makers.

The existing law of legal tender in this country limits the legal tender of coined silver to £2, and the Bank of England is not bound to accept silver bullion, although by law it is authorised to do so. By law it is bound to buy all the gold bullion that is offered to it, making a small profit by doing so. Meantime the Bank of England will not purchase any silver bullion whatever. Bullion required

for the silver currency of this country, is bought by the Chancellor of the Exchequer as the Mint Master, he alone having the right to coin silver.

Under the proposed international agreement there would be no limit to the legal tender of silver and gold bullion (not coin) in this and all countries. Silver bullion when tendered to the bank would, under the new agreement, be entitled to have legal tender notes issued against it, or have the amount of it carried to the credit of the tenderer in his account with the bank, just as gold bullion is credited now.

The silver bullion would thus circulate in legal tender notes, and the bullion itself would remain in the reserves of the bank as security against these notes, precisely as gold bullion does at present. When wanted for export or for coinage this bullion would be drawn in exchange for notes. Such bullion would not be wanted for national circulation any more than gold bullion is now, but it could of course be coined by any or all nations, if such nations considered that desirable. In that case, the notes issued against it, would be withdrawn in the ordinary course.

So far as the suggested agreement is concerned, the British mint could remain open to gold bullion just as at present, or could be closed if that was desirable. Coinage is a national and not international matter, and therefore each country is best left entirely free to settle such details for itself.

Consider further what would be the position of India under the suggested agreement. At present she is a silver token country with closed mints. Her currency cannot be added to except by the Government, which has thereby undertaken a grave responsibility, affecting India's ability to cope with silver nations in the markets of the world. Of that, however, this is not the place to speak. Under the

agreement India would be free to open her mints to silver, or to keep her mints closed just as at present. But her treasuries would be bound to receive silver bullion at the ratio agreed upon, and to issue legal tender notes against the same, either holding the silver bullion as treasury reserves against those notes, or coining the silver as she pleased.

India might open her mints to gold or she might close her mints to it also. But she would be bound to receive gold bullion, her treasuries issuing legal tender notes for the same; and either retaining this gold bullion as reserves against those notes, or coining it and withdrawing the notes, as she in her discretion might think best.

This bullion, whether of silver or gold, would thus be available for exportation in exchange for notes issued against it; and would circulate nationally in the form of notes, or in silver or gold coins. India might make her national coinage what she pleased, of whatever weight and fineness she pleased, and, subject to the international agreement, issue notes as she pleased. So far as her national currency is concerned, she would have perfect freedom to act as she found best for the national interests of India. India's only international obligation would be the same as all other nations' international obligation, viz., to receive bullion as payment at the ratio between gold and silver internationally agreed upon. India would then be able, when a balance was against her, to liquidate that balance by gold or silver bullion money at the fixed ratio. She would be no longer in the position of having a money which no foreigner would accept as money; and so, under an unfavourable balance, would no longer be obliged to repeat her recent transaction and go deeper into debt by borrowing the kind of money she did not possess, while hoarding up tens of millions of the money she did possess.

Lord Herschell's committee appears to have overlooked that, under present laws, whenever India becomes debtor, she has no automatic money with which to pay either silver or gold creditors. By withdrawing large sums of Indian money from use, there is no doubt the rupee will have an enhanced buying power in India. But let the buying power of the rupee in India be doubled or trebled, its merchandise value abroad, where it is not money at all, and has not the attribute of forced payment, is but the market value of the bullion it contains. So long as, say, England is debtor to India, England can pay her debt with scarcity rupees if she has them. If she is without them she must send some commodity, and neither gold or silver are practicable money in India at present. On the other hand, whenever India becomes on balance debtor to England, her only means of money payment is rupees. These in England have not scarcity value when India is the debtor country, and they are not English money in any case, having no power of legal payment here. They have but the value of the commodity bullion silver.

The suggestion of bullion by weight and fineness without mintage, for the international money of the world, is a novel one, and further illustration might be useful. Therefore, let it be considered how the scheme would work, say, in the case of a Frenchman indebted to an Englishman for £1869. Presume the ratio fixed is $15\frac{1}{2}$ to 1. By the plan proposed, and under the figures taken for illustration, the Frenchman could pay his debt either by 40 lbs. of gold or 620 lbs. of silver. Presume the Frenchman elected to pay in 620 lbs. of silver. On receipt of that bullion the Englishman would be entitled, under the agreement suggested, to get for it from the Bank of England legal tender notes for £1869. Thus the transaction would be terminated so far as it concerns either the Frenchman or the Englishman, because the latter could, with his legal tender notes, make his payments in this country as effectively as he could do with sovereigns. The position of the Bank of England would be that it held 620 lbs. of bullion silver with which it could redeem its notes to the amount of £1869. Then suppose the transaction reversed. The Englishman becomes indebted to the Frenchman for 47,099 francs, equal to £1869 at say 25·20 francs to the £. To pay this he has £1869 of legal tender English notes. With these notes he can go to the Bank of England and demand their redemption. Under the agreement the Bank would be entitled to cash its notes in gold sovereigns, or in gold or silver bullion, at its option. With these sovereigns, or with that gold or silver bullion indiscriminately, the Englishman could make his payment in Paris. Supposing it is silver is sent—the Frenchman receiving the 620 lbs. of silver could demand legal tender notes from the issue department in France for 47,099 francs. With these notes the Frenchman could make his legal payments in France.

As a detail of the proposal—in the sense of not being for international but national decision—it might be well for the Bank of England to issue its notes against bullion deposited for smaller sums than £5 as well as for larger amounts.

On the South of the Border there is a feeling against the issue of small notes, as on the North side of the Border there is a feeling against gold in favour of £1 notes. These £1 Scotch notes have not the power of legal tender and are redeemable in silver, yet so safe and useful have they been found that four-fifths of the Scotch circulation is in £1 notes.

Provision would require to be made nationally for the cost of issuing and redeeming notes by the Banks of Issue or Treasuries.

The foregoing illustrations are probably sufficient to enable those conversant with the currency question, and

the currency laws and practices of nations, to apprehend the practical working for all countries, of the suggestion made in this paper.

CHAPTER VII.

As to the Ratio between Gold and Silver.

It will be noted that the suggested international agreement leaves open the question of The Ratio to be fixed by the nations, and leaves the arguments affecting it unstated. Under the plan proposed a high ratio, a low ratio, or a sliding scale ratio could equally well be adopted. It is of vast importance so far as the ratio is concerned, and is provided for under the suggested agreement, that it does not disturb the ratios already nationally established in the national coinages of individual states.

For international money, whether the ratio to be agreed on is a high one or a low one, is of less concern in comparison with the momentous importance of a ratio being established, a universal par of exchange being set up.

In view of the existing facts, it is evident that, to set up Bimetallism at once at the existing national ratio of $15\frac{1}{2}$ to 1 would involve the world in monetary disturbance of a serious kind, although in a direction favourable to traders and producers. On the other hand, at once to open the mints of the world at the existing market ratio, and conform national coinages thereto, would be very injurious. It would reduce the existing national coinages to a price of less than half what they stand at now. This would mean further loss to states possessing highly rated silver. It would also lead to the further shrinkage of the volume of the world's money. This shrinkage could only result in a further fall in prices of commodities, and consequent industrial losses.

Were it known that a sufficient number of countries had agreed to monetise both metals, at the most equitable

ratio the wit of man could devise, the action of markets following thereon, would no doubt speedily manifest public opinion, as to the best ratio in the opinion of mankind.

In the present circumstances of the world, a fixed ratio alone can bring commerce and indebtedness between the Eastern and Western hemispheres back from barter to money. It alone can offer any hope of the world's precious metal money increasing with the increase of commerce, population, and progress in civilisation. Without a fixed ratio between the precious metals, disturbing as is the existing position of the world's commerce, agriculture, and indebtedness, that position must be but the prelude to worse. Gold prices must continue to fall, owing to existing and prospective supplies of that metal being short of the ratio of increase of population using gold, and the increasing ratio of commodities to money; unless indeed we contemplate paralysis of the world's industry.

CHAPTER VIII.

Advantages certain to follow upon the Establishment of Universal Money and Par of Exchange.

By setting up an international money and standard of value, thereby setting up again the civilisation of price, and destroying the barter of barbarism that now exists between silver and gold countries, enormous advantages will accrue. These advantages may be generally estimated by the reversal of that state of things which has hampered the world in the past twenty years. The world's trade must revive; the fall in value of Britain's agricultural and industrial produce must be arrested; capital must again come into demand. It will then be possible for capitalists to lend their money to either the East or the West with reasonable interest and also with safety, so far as the money in which it must be repaid is concerned.

By the suggested agreement the gold debts due to gold creditors will cease to appreciate in the manner they have been doing. That is but justice and honesty, and will help to keep remaining debtors, whether nations, corporations, or individuals, from the insolvency that has overtaken so many in recent years—insolvency due to the vagaries of national monetary law.

The continued action of present monetary law must continue to transfer, without consideration, and therefore unjustly, to the capitalists, the gains of industry and agriculture. But even with these gains, capitalists of land and means of production must be impoverished as rents, and the loanable value of money falls, while profits of production contract or are turned into loss. The incidence of taxation must increase, while annuitants and possessors of gold must continue to grow inequitably enriched. These must come through the emphasising of the same insidious evils as have been sapping our prosperity for the past twenty years — sapped it until normal prosperity has become but a recollection of the past, which the younger generation has never enjoyed in the arrested progress of England's commerce.

What Great Britain and all the world wants is a stable money and standard of value. If that is attained, it does not matter in this relation, whether gold or silver or both be employed. What is wanted by the world is this stable money, having universal debt-paying power. The world's desire is neither for silver or gold for themselves, *i.e.*, bereft of money attribute.

CHAPTER IX.

Recent Erroneous Statements.

How often have we been told in the past twenty years that we have had evil cycles of over-production, that these had passed away, and that the dawn of prosperity had arisen? Every one of these statements has been falsified by experience. They have been founded upon a state of facts no longer existing, viz.:—upon the course of markets in the past, when the world had both gold and silver for national and international use. They have been founded upon the commodity side of the question only and have ignored the money side. They have failed to recognise that the quantity of money is as much a factor in price as the quantity of commodities. Past experience is thus not only valueless but positively misleading, when the whole foundation of the world's money has been changed by recent monetary laws. It is pointed out, that we have never had over-production in the sense of having more than could be usefully used, and we are never likely to have it. It is admitted we have had production that was not profitable to producers at current prices, during the re-adjustment of prices to the relative decreased quantity of money. We have roseate statements of coming prosperity now from numerous and high authorities. They are but statements and prophecies. If general prices were now adjusted to the decreased volume of the world's money, greater stability in gold prices might be looked for; but who can say this adjustment has taken place? Again, with the inadequate production of gold relative to the increasing demand for it, gold prices are certain again to fall with time, although perhaps less quickly than in recent years.

CHAPTER X.

General Considerations.

So long as we produce wealth so long shall we have wealth; and whether it exchanges at high or low prices is a matter of little importance, provided prices are stable. It is during the transition period from high prices to low

prices that the enormous evils arise. The inducement to produce wealth is the gain remaining to the producer. In recent years, and under the subtle action of monetary laws, gains of production have been inadequate. Therefore, capital is not borrowed by producers at former rates of interest, because they cannot employ it to profit. Hence, also, employment for labour is scarce—the ranks of the unemployed increase. This decrease of employment grows of its own interaction. Discontent results in strikes. Combinations of labour may increase the wages of labour for a time, or temporarily prevent the wages of labour falling. Combination may, by refusing to work for less than so much per day, secure for labour that rate of wage for a period, but at the cost of the employment being for one-half or one-third time, and the probable loss of markets. No combination of labour can force employment for labour when the result of that employment is not profitable—present or prospective—to the employers of labour.

The efforts permanently to fix the incidence of debts, or the wages of labour, or agricultural rents, in an appreciating currency, is equivalent to expecting the water shot up by a fountain to remain in mid-air.

Unless we return to Barter, Commodities on the one hand and Money on the other, will continue to regulate prices, whatever we may do. Whether supply or demand be at high or low prices, depends upon the supply of money in proportion to the work money has to perform. The world at large creates commodities, it is law that alone can create money out of various articles or out of one, and law can unmake it. Law can make money unduly scarce or unduly abundant; or, wisely enacted in conformity with the experiences of all time, can make it fairly and uniformly steadfast between nations and between individuals, so approximating Aristotle's conception of "just" money.

After so many years of disaster in this country and in

all gold countries—due to falling prices of commodities; shrinkage in value, if not absolute destruction, of many investments; unprofitable agriculture; unprofitable trade; and unprofitable shipping—the public is still unaroused to seek the cause and cure. It is difficult to conjecture how long the present unhappy state of affairs is to last. It intensifies with time, and difficulties to its solution accentuate by delay. The great "Lombard Street Interest" ignores the teaching of unparalleled interest and discount rates. The manufacturing and merchant classes look on with wonderment at prices for the most important commodities, lower in a time of peace and potential prosperity than they have ever been in the memory of living man. All their cherished convictions regarding cycles of prosperity, over-production, free trade are blown to the winds by an over-mastering cause. The recurring strikes of organised labour do not attract attention to the causes of these strikes. Floating labour increases beyond its chances of employment. The unscheduled mass of human misery represented by the lapsed masses outgrows the existing provisions for its support, and that in the face of an almost incredible increase in recent years of public and private benevolence.

Social disquiet and unrest have become a menace to Italy. They are growing in other European countries. In America recent strikes of workmen have closely bordered on civil war. Tales of absolute want reach us from countries of such untold wealth as America and Australia. It is submitted these things are not due to the world's poverty. Indeed, a common though unfounded complaint is, that there is too much of everything that constitutes wealth. The true causes are—the partial paralysis of the means of exchanging commodities; and the disturbance of price and indebtedness, arising from the dislocation of that money and standard of value, upon which the concerns of the world have been founded from the dawn of history.

Possibly intensified disaster has to be experienced before the Monetary question receives the attention it demands. It may not be far off. Foreign countries that repudiated their debts in recent years and obtained modifications are again defaulting. The "Melbourne Argus" states the time is not far distant when it will be necessary for Victorian Banks which were recently reconstructed, to ask their creditors to assent to a revision of the terms. The Bank of Van Dieman's land has obtained an Act of the Tasmanian Government, sanctioned by the Home Government, to realise its assets by lottery drawings. The possible bankruptcy of the Government of India draws nearer. All the recent taxes imposed in India are already more than swallowed up in the "Home remittances"; and the present financial year must close with a large deficit. The fall in India's Exchange continues. America without the silver purchases of the Sherman Act, is in no better financial case than she was under the Sherman Act, and continues to borrow gold. Her statesmen say, Free Trade is impossible to her without Silver money. England's trade, injured at home, is being driven abroad, most largely to India and Japan. The unanimous Report of the Gold and Silver Commission has been ignored, except in the trifling matter of the duty on Silver plate. Mr. Goschen's solemn warnings at Leeds and London have been left unnoticed.

On many scientific questions, regarding which the world is and must be uninformed, it is willing to accept the dictum of its scientists. This country has shown little inclination to accept the scientists' dictum in the science of money, although it has been enforced by fulfilled mathematical prophecies, by unrefuted reasons, and by twenty years' practical proof of the correctness of the views they have expressed. There are now many indications that the attitude of the public is changing with the growth of information.

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